

# PREMIUM SUPPORT PROVISION UNRAVELS MEDICARE

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- Premium support is nothing less than an attempt to unravel Medicare under the guise of increased efficiency. The premium support scheme breaks the fundamental promise of Medicare. It replaces a guarantee of quality health care with increased premiums, provides a voucher for health insurance, and leaves seniors and people with disabilities to fend for themselves in a market where they may not be able to find a health care plan that meets their needs. Although framed as a demonstration, up to 7 million beneficiaries could be forced to participate in this vast social experiment.
- **Premium support allows private plans to lure healthy seniors out of Medicare, leaving older and sicker seniors and people with disabilities behind.** Under the plan, private plans would offer taxpayer-financed health and drug benefits designed to attract low-cost seniors and repel high-cost beneficiaries. Those who enroll would be forced to give up their choice of doctor and hospital – a choice guaranteed under Medicare. Healthy seniors are much more likely to participate, leaving people with disabilities and seniors with serious health conditions in the traditional Medicare program, where premiums will steadily rise as Medicare is transformed from a social insurance program to a high-risk pool.
- **Beneficiaries pay more to keep their choice of doctor.** Plans that serve healthier populations can afford to charge them less, while Medicare will end up serving a sicker, more expensive population. But under the conference agreement, if traditional Medicare's costs exceed a fixed Federal contribution to the program, then beneficiaries will be liable for every dollar above the fixed contribution or voucher. The CMS Actuary estimated in June that the proposal could increase Medicare premiums by as much as 25 percent. While conference negotiators claim the increases would be limited to 5 percent, those increases would be on top of regular premium increases – likely bringing the total increase to double digits each year. Why should any beneficiary have to pay even a penny more for this ideological agenda?
- **Beneficiaries pay more depending on where they live.** Right now, Medicare premiums are 25 percent of Medicare costs. But under a premium support scheme, seniors living in different areas of the country would pay different premiums for the exact same fee-for-service benefit for the first time in the history of the Medicare program. The Medicare actuary estimates that premiums could range from \$56 to \$200 per month.
- **Benefits, premiums and access change from year to year.** Under a premium support scheme, seniors would have no way of knowing from year to year what plans will show up, which will stay, what they will charge, and what kind of coverage they offer. This could hurt continuity of care. In addition, all of these uncertainties affect the amount of the voucher, leaving seniors to suffer at the whim of the industry.
- **Private plans can only save money at beneficiaries' expense.** Between shareholder demands and higher administrative costs, HMOs and other managed care plans cost more than Medicare if they are competing on an even playing field. The only way these plans can possibly save money relative to Medicare is by gaming the system and by limiting access to providers and denying benefits.
- **Demonstration not narrow and problem more dangerous than advertised.** Supporters claim that premium support would only be a time-limited demonstration in 6 sites, and that premium increases would be constrained. But the groundwork for premium support is laid nationally, starting in 2004 when HMOs will be paid more than 120% on average of the cost to provide the same services under Medicare. It continues in 2006, when the plans begin to "bid" for Medicare beneficiaries. Then, when the competition with Medicare officially begins, this proposal lasts for six years and will affect as many as 7 million seniors in its initial phase. Medical savings accounts began as a demonstration and so did the Medicare managed care program – despite critical evaluations, both have been increased and expanded in every Republican-dominated piece of health care legislation. A future budget reconciliation bill could reverse all the so-called protections in this agreement with a privileged 51-vote debate.